

Annual Financial Statements

for

NTAMBANANA MUNICIPALITY

for the period ended 30 June:

2015

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

| Contact Information: | |
|---|--|
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NTAMBANANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2015

General information

Members of the Council

| | |
|----------------|--------------|
| GK Khumalo | Mayor |
| WK Vilakazi | Speaker |
| EM Chonco | Deputy Mayor |
| MJ Xulu | Exco Member |
| NR Mnqayi | Member |
| SZ Xulu | Member |
| TF Zincume | Member |
| DP Simelane | Member |
| SB Sibiya | Member |
| MM Cebekhulu | Member |
| KD Sibiya | Member |
| LC Mfeka | Member |
| GF Biyela | Member |
| M Mkhize | Member |
| B Mabaso | Member |
| HC De Villiers | Member |

Municipal Manager (Acting)

Mr FS Mazibuko.

Chief Financial Officer

TRN Myeza

Grading of Local Authority

Grade 1

Auditors

Auditor-General

Bankers

ABSA

NTAMBANANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2015

General Information (continued)

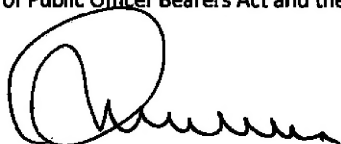
| | |
|---------------------------|---|
| Registered Office: | Ntambanana Municipality offices |
| Physical address: | Buchanana Reserve Next to Buchanana Police Station Ntambanana Empangeni 3880 |
| Postal address: | PRIVATE BAG X 20066 EMPANGENI 3880 |
| Telephone number: | 035 792 7091/2/3 |
| Fax number: | 0357927094 |
| E-mail address: | <u>mvezat@ntambanana.org.za</u> |

NTAMBANANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2015

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 18 of these Annual Financial Statements are within the upper limits of framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager (Acting): Mr FS Mazibuko

DATE: 17/11/15

NTAMBANANA MUNICIPALITY
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for the period ended 30 June 2015

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Ntambanana Local Municipality
Annual Financial Statements
Statement of Financial Position as at 30 June 2015

| | Notes | June 2015 | June 2014 - Restated |
|--|-------|----------------------|----------------------|
| | | | R |
| ASSETS | | | |
| Current assets | | 24 728 639 | 24 891 241 |
| Cash and cash equivalents | 1 | 21 251 616 | 21 341 177 |
| Trade and other receivables from non-exchange transactions | 2 | 1 246 461 | 944 559 |
| Other receivables from non-exchange transactions | 3 | 1 262 000 | 1 233 300 |
| VAT receivable | 7 | 968 562 | 1 372 206 |
| Non-current assets | | 69 804 511.17 | 59 502 579.11 |
| Property, plant and equipment | 4 | 69 709 318 | 59 442 047 |
| Intangible Assets | 5 | 95 194 | 60 532 |
| Total assets | | 94 533 150 | 84 393 819.84 |
| LIABILITIES | | | |
| Current liabilities | | 12 134 960 | 16 938 224 |
| Trade and other payables | 6 | 1 264 539 | 1 586 074 |
| Current Portion of Finance Lease Liability | 9 | 66 724 | 51 670 |
| Current portion of unspent conditional grants and receipts | 10 | 9 904 068 | 14 512 757 |
| Provisions | 8 | 899 630 | 787 722 |
| Non-current liabilities | | 83 811 | 150 535 |
| Finance Lease Liability | 9 | 83 811 | 150 535 |
| Total liabilities | | 12 218 771 | 17 088 759 |
| Net assets | | 82 314 379 | 67 305 060 |
| NET ASSETS | | 82 314 380 | 67 305 061 |
| Accumulated surplus / (deficit) | | 82 314 380 | 67 305 061 |
| Total net assets | | 82 314 380 | 67 305 061 |

Ntambanana Local Municipality
Annual Financial Statements
Statement of Financial Performance as at 30 June 2015

| | Notes | June 2015 | June 2014 - Restated |
|---|-------|-------------------|----------------------|
| | | | R |
| Revenue | | | |
| Non - Exchange Transaction | | | |
| Property rates | 11 | 1 322 608 | 1 288 002 |
| Government grants and subsidies | 15 | 58 132 611 | 59 622 727 |
| Provision for Bad Debts Adjustment | 2 | - | 207 419 |
| Interest earned - external investments | 13 | 1 323 666 | 1 167 533 |
| Interest earned - outstanding receivables | 14 | 95 549 | 68 131 |
| | | 60 874 434 | 62 353 811 |
| Exchange Transaction | | | |
| Rental of facilities and equipment | 12 | 27 336 | 25 429 |
| Other income | 16 | 279 452 | 140 260 |
| | | 306 788 | 165 689 |
| Total revenue | | 61 181 222 | 62 519 500 |
| Expenses | | | |
| Employee related costs | 17 | 12 838 156 | 11 385 269 |
| Remuneration of councillors | 18 | 4 026 209 | 3 812 395 |
| Depreciation and amortisation expense | 19 | 3 536 586 | 2 693 449 |
| Repairs and maintenance | 20 | 1 125 458 | 406 969 |
| General expenses | 21 | 16 340 373 | 12 752 806 |
| Contracted services | 22 | 3 022 502 | 2 891 527 |
| Community Projects | 23 | 5 023 351 | 17 966 052 |
| Finance Charges | 24 | 46 418 | 37 598 |
| Contribution to provision | | 141 205 | 110 167 |
| Provision for Bad Debts Adjustment | 2 | 69 281 | - |
| Total expenses | | 46 169 539 | 52 056 230 |
| Assets Written Off | | (2 365) | (10 197) |
| Surplus / (deficit) for the period | | 15 009 318 | 10 453 073 |

| Ntambanana Local Municipality Annual Financial Statements Statement of Changes in Net Assets as at 30 June 2015 | | | | | | |
|--|------|---------------------|----------------|-----------------|---------------------------------|-------------------|
| | Note | Revaluation Reserve | Other reserves | Total: Reserves | Accumulated Surplus / (Deficit) | Total: Net Assets |
| Balance at 30 June 2013 | | - | - | - | 57 162 766 | 57 162 766 |
| Correction of Prior Errors - Accumulated Depreciation | | - | - | - | (116 556) | (116 556) |
| Correction of Prior Errors - Provisions | | - | - | - | (194 221) | (194 221) |
| Balance as at 30 June 2013 - Restated | | - | - | - | 56 851 988 | 56 851 988 |
| Surplus / (deficit) on revaluation of property of property, plant and equipment | | - | - | - | - | - |
| Net gains and losses not recognised in the statement of financial performance | | - | - | - | - | - |
| Transfers to / from accumulated surplus/(deficit) | | - | - | - | - | - |
| Surplus / (deficit) for the period | | - | - | - | 10 453 073 | 10 453 073 |
| Balance at 30 June 2014 - Restated | | - | - | - | 67 305 061 | 67 305 061 |
| Surplus / (deficit) on revaluation of property of property, plant and equipment | | - | - | - | - | - |
| Net gains and losses not recognised in the statement of financial performance | | - | - | - | - | - |
| Transfers to / from accumulated surplus/(deficit) | | - | - | - | - | - |
| Surplus / (deficit) for the period | | - | - | - | 15 009 318 | 15 009 318 |
| Balance at 30 June 2015 | | - | - | - | 82 314 380 | 82 314 380 |

Ntambanana Municipality
Annual Financial Statements
Statement of Cash Flows for the Period ended 30 June 2015

| | | June 2015 | June 2014 - Restated |
|--|-----------|---------------------|-----------------------------|
| | | R | R |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Cash Receipts from ratepayers, government and others | | 56 326 542 | 63 651 604 |
| Cash paid to suppliers and employees | | (43 951 239) | (51 466 155) |
| Cash Generated From Operations | 25 | 12 375 304 | 12 185 449 |
| Finance Income | | 1 323 666 | 1 235 663 |
| Finance Costs | | (46 418) | (37 598) |
| Net cash flows from operating activities | | 13 652 552 | 13 383 514 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets (PPE) | 4 | (13 590 303) | (12 874 574) |
| Proceeds from sale of fixed assets | | - | - |
| Proceeds from sale of investments | | - | - |
| Purchase of Intangibles | 5 | (100 140) | - |
| Net cash flows from investing activities | | (13 690 442) | (12 874 574) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Proceeds from finance lease liability | 9 | - | 202 206 |
| Repayment of finance lease liability | 9 | (51 670) | - |
| Net cash flows from financing activities | | (51 670) | 202 206 |
| Net Increase / (decrease) in net cash and cash equivalents | | (89 561) | 711 146 |
| Net cash and cash equivalents at beginning of period | | 21 341 177 | 20 630 031 |
| Net cash and cash equivalents at end of period | 1 | 21 251 616 | 21 341 177 |

Ntambanana Municipality
Statement of Comparison of Budget and Actual Information
as at 30 June 2015

| | Original Budget | | Budget Adjustment | | Final Budget | | Actual Outcome | | Variance | | Actual Outcome as % of Final Budget | | Actual Outcome as % of Original Budget | | Restated Audited Outcome | | Reasons to Variances |
|--|----------------------|--|----------------------|--|--------------------|--|----------------------|--|--------------------|--|-------------------------------------|--|--|--|--------------------------|--|--|
| | R | | R | | R | | R | | R | | % | | % | | R | | |
| Budget on Accrual Basis | | | | | | | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | | | | | | | |
| Property rates | 1 353 259 | | 1 353 259 | | 1 353 259 | | 1 322 608 | | (30 650) | | 98% | | 98% | | 1 288 002 | | Property Values Decreased towards the end of the financial year. |
| Investment revenue | 1 073 566 | | 1 073 566 | | 1 073 566 | | 1 323 666 | | 250 100 | | 123% | | 123% | | 1 235 663 | | Improved internal controls on spending resulted in longer investments. |
| Transfers recognised - operational | 43 378 000 | | 44 409 385 | | 44 409 385 | | 44 190 258.70 | | (219 126) | | 100% | | 102% | | 46 058 195 | | Penalties raised on late completion of construction projects |
| Other own revenue | 128 987 | | 155 012 | | 155 012 | | 402 337 | | 247 325 | | 260% | | 312% | | 373 108 | | |
| Total Revenue (excluding capital transfers and contributions) | 45 933 812.06 | | 46 991 222 | | 46 991 222 | | 47 238 870 | | 247 648 | | 101% | | 103% | | 48 954 968 | | |
| Employee costs | 14 511 555 | | 13 287 480 | | 13 287 480 | | 12 838 156 | | (449 324) | | 97% | | 88% | | 11 385 269 | | Positions Vacant - Municipal Manager |
| Remuneration of councillors | 3 926 320 | | 4 318 952 | | 4 318 952 | | 4 026 209 | | (292 743) | | 93% | | 103% | | 3 812 395 | | Two councillors passed away during the course of the financial year. |
| Depreciation & asset impairment | 2 430 031 | | 2 430 031 | | 2 430 031 | | 3 536 586 | | 1 106 555 | | 146% | | 146% | | 2 693 449 | | Depreciation was under provided. |
| Finance charges | - | | - | | - | | 46 418 | | 46 418 | | 100% | | 0% | | 37 598 | | Lease Agreement Classified as Finance Lease |
| Other expenditure | 24 787 122 | | 29 633 811 | | 29 633 811 | | 25 724 534 | | (3 909 277) | | 87% | | 104% | | 34 137 717 | | Improved internal controls and under spending on waste activities. |
| Total Expenditure | 45 655 028.06 | | 49 670 274.83 | | 49 670 275 | | 46 171 903 | | (3 498 372) | | 93% | | 101% | | 52 066 427 | | |
| Surplus/(Deficit) | 278 784 | | (2 679 053) | | (2 679 053) | | 1 066 966 | | 3 746 019 | | -40% | | 383% | | (3 111 459) | | |
| Transfers recognised - capital | 16 696 000 | | 18 595 298 | | 18 595 298 | | 13 942 352 | | (4 652 946) | | 75% | | 84% | | 13 564 532 | | |
| Accumulated Reserves | - | | 6 828 419 | | 6 828 419 | | - | | (6 828 419) | | 0% | | 0% | | - | | |
| Surplus/(Deficit) after capital transfers & contributions | 16 974 784 | | 22 744 664 | | 22 744 664 | | 15 009 318 | | (7 735 346) | | 66% | | 88% | | 10 453 073 | | |
| Share of surplus/ (deficit) of associate | - | | - | | - | | - | | - | | 0% | | 0% | | - | | |
| Surplus/(Deficit) for the year | 16 974 784 | | 22 744 664 | | 22 744 664 | | 15 009 318.30 | | (7 735 346) | | 66% | | 88% | | 10 453 073 | | |
| Capital expenditure & funds sources | | | | | | | | | | | | | | | | | |
| Capital expenditure | | | | | | | | | | | | | | | | | |
| Transfers recognised - capital | 16 696 000 | | 18 618 955 | | 18 618 955 | | 13 942 352 | | (4 676 603) | | 75% | | 84% | | 12 121 399 | | Mig Funds withheld, Delays in construction of Mabhensa Sports Field |
| Internally generated funds | 278 784 | | 318 784 | | 318 784 | | 1 176 649 | | 857 865 | | 369% | | 422% | | 523 175 | | Capex identified from normal expenditure |
| Total sources of capital funds | 16 974 784 | | 18 937 739.82 | | 18 937 739 | | 15 119 001 | | 857 865 | | 80% | | 89% | | 12 644 574 | | |
| Cash flows | | | | | | | | | | | | | | | | | |
| Cash/cash equivalents at the year beginning | 21 341 177 | | 21 341 177 | | 21 341 177 | | 21 341 177 | | | | 100% | | 100% | | 20 630 031 | | |
| Net cash from (used) operating | 19 404 844 | | 14 539 380 | | 14 539 380 | | 13 652 552 | | (886 828) | | 94% | | 70% | | 13 383 514 | | Mig Funds withheld, Delays in construction of Mabhensa Sports Field |
| Net cash from (used) investing | (16 974 784) | | (18 937 739) | | (18 937 739) | | (13 690 442) | | 5 247 297 | | 72% | | 81% | | (12 874 574) | | Mig Funds withheld, Delays in construction of Mabhensa Sports Field |
| Net cash from (used) financing | (51 670.26) | | (51 670) | | (51 670) | | (51 670) | | - | | 0% | | 0% | | 202 206 | | |
| Cash/cash equivalents at the year end | 23 719 566 | | 16 891 148 | | 16 891 148 | | 21 251 616 | | 4 360 469 | | 126% | | 90% | | 21 341 177 | | |

NTAMBANANA MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2015

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

| | |
|----------|--|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statement |
| GRAP 3 | Accounting Policies , Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes In Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investments In Associates |
| GRAP 8 | Investments In Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Properties |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 21 | Impairment of Non-Cash Generating Assets |
| GRAP 23 | Revenue from Non-exchange Transactions |
| GRAP 24 | Presentation of Budget Information in Financial Statements |
| GRAP 25 | Employee Benefits |
| GRAP 26 | Impairment of Cash Generating Assets |
| GRAP 31 | Intangible Assets |
| GRAP 100 | Discontinued Operations |
| GRAP 103 | Heritage Assets |
| GRAP 104 | Financial Instruments |
| GRAP 105 | Transfer of Function Between Entities Under Control |
| GRAP 106 | Transfer of Function Between Entities Not Under Control |
| GRAP 107 | Mergers |

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the Grap standard and Directive 5 including any interpretations of such Statements issued by the Accounting Practices Board. These includes Grap 32 and Grap 108, not yet effective.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARABLE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in as an additional statements to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting

GRAP 105 - Transfer of functions between entities under common

GRAP 106 - Transfer of functions between entities not under common

GRAP 107 - Mergers

GRAP 20 - Related party disclosures

GRAP 32 - Service concession arrangements: Grantor

GRAP 108 - Statutory receivables

GRAP 109 - Accounting by Principals and Agents

1.6 VALUE ADDED TAX (VAT)

The Municipality account in its records for Vat on Accrual Basis but to Sars on Cash basis Method, based on special exemption.

2 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date of when the financial statements are authorised for issue, the two types of events are described below. Ref Grap 19.

(a) those that provide evidence of conditions that existed at reporting date (adjusting events after the reporting date); and

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). Reporting date means the date of the last day of the reporting period to which the financial statements relate.

3 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Municipality operates in an economic sector currently dominated by entities directly or indirectly owned by South African Government.

As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national spheres of Government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by management in their dealings with entity.

Only transactions with related parties not arms length or not in the ordinary course of business are disclosed

4 COMMITMENTS

Commitments are future capital expenditure that the Municipality has committed to. Commitments are disclosed in Annual Financial Statements.

5 RISK MANAGEMENT

Municipality's activities expose it to a variety of financial risks (credit risk, Liquidity risk and Interest rate risk). Municipality has developed a comprehensive risk strategy in terms of Treasury Regulations 28.1 in order to Monitor and control these risks. Internal audit function reports quarterly to Audit and Risk Management Committee, an independent body that monitor risks and policies implemented to mitigate risks exposures. The risk management process relating to each of these risks is discussed under the headings below.

5.1 INTEREST RATE RISK

Municipality has no significant interest- bearing assets, income and operating cash flow are substantially independent of changes in market interest rates.

5.2 CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any counter- party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk related to customers on an ongoing basis

5.3 LIQUIDITY RISK

Municipality manages liquidity risk through proper management of expenditure and proper budgeting and cash management procedures.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 SUBSEQUENT MEASUREMENT - COST MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

6.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

6.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

| <i>Infrastructure Assets</i> | | <i>Other Assets</i> | |
|------------------------------|-------------|---------------------------------|-------------|
| Roads and Paving | 30 years | Buildings | 30 years |
| Stormwater Drainage | 20 years | Specialist vehicles | 10 years |
| Community Assets | | Other vehicles | 5 years |
| Buildings | 30 years | Office equipment | 3-7 years |
| Recreational Facility | 20-30 years | Furniture and fittings | 7-10 years |
| Security | 5 years | Bins and containers | 5 years |
| Community Halls | 30 years | Specialised plant and equipment | 10-15 years |
| Libraries | 30 years | Landfill sites | 15 years |
| Parks and gardens | 10 years | Computer equipment | 3 years |
| Finance Lease Assets | | | |
| Office equipment | 4 years | | |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ntambanana Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

6.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

7 INTANGIBLE ASSETS

7.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

7.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

7.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

| | |
|-------------------|---------|
| Computer software | 3 years |
|-------------------|---------|

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

7.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8 INVESTMENT PROPERTY

8.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

8.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

9 FINANCIAL INSTRUMENTS

9.1 INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when and only when the entity becomes a party to the contractual provisions of the instruments. Financial instruments are initially recognised at fair value.

9.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, it is in accordance with Grap 104.

9.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by classifying the outstanding debts into three categories: Category A are government properties and those who owe less than 30 days. No provision is made for them. Category B is those who are irregular payers, and the debts are between 31 and 60 days. The provision is made at 25%. Category C are bad payers and the provision is at 50%.

9.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

9.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- b) The amount of revenue can be measured reliably
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

MEASUREMENT

Revenue from exchange transactions is measured at fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the municipality

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 EMPLOYEE BENEFITS

17.1 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

17.2 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employee render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

18 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

19 COMPARATIVE FIGURES

Where materially necessary, comparative figures have been reclassified and restated to conform to changes in presentation in the current year.

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements
for the period ended 30 June 2015

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash at bank

| June 2015 | June 2014 |
|-----------|-----------|
|-----------|-----------|

R

21 251 616 21 341 177

21 251 616 21 341 177

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 4054154293

Cash book balance at beginning of year

702 370 6 910 330

Cash book balance at end of year

73 737 702 370

Bank statement balance at beginning of year

708 695 6 927 199

Bank statement balance at end of year

73 737 708 695

Current Account (Call account)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 9116410562

Cash book balance at beginning of year

13 847 737 5 626 355

Cash book balance at end of year

11 323 516 13 847 737

Bank statement balance at beginning of year

13 847 737 5 626 355

Bank statement balance at end of year

11 323 516 13 847 737

Current Account (NEP account)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 9228120980

Cash book balance at beginning of year

181 133 6 974 859

Cash book balance at end of year

188 400 181 133

Bank statement balance at beginning of year

181 133 6 974 859

Bank statement balance at end of year

188 400 181 133

Current Account (Housing fund account)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 9234461881

Cash book balance at beginning of year

42 054 40 569

Cash book balance at end of year

- 42 054

Bank statement balance at beginning of year

42 054 40 569

Bank statement balance at end of year

- 42 054

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

Current Account(Special Disaster account)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 4072416887

| | | |
|---|--|--|
| Cash book balance at beginning of year | | |
| Cash book balance at end of year | | |
| Bank statement balance at beginning of year | | |
| Bank statement balance at end of year | | |

Current Account(Housing Project fund)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 4058836768

| | | |
|---|--------|--------|
| Cash book balance at beginning of year | 62 296 | 63 006 |
| Cash book balance at end of year | - | 62 296 |
| Bank statement balance at beginning of year | 62 296 | 63 006 |
| Bank statement balance at end of year | - | 62 296 |

Current Account(investment account)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 2073479155

| | | |
|---|-----------|-----------|
| Cash book balance at beginning of year | 5 535 004 | - |
| Cash book balance at end of year | 5 897 570 | 5 535 004 |
| Bank statement balance at beginning of year | 5 535 004 | - |
| Bank statement balance at end of year | 5 897 570 | 5 535 004 |

Current Account(MIG)

ABSA Bank Limited - Durban La Lucia Branch: Account Number 9272964122

| | | |
|---|-----------|-----------|
| Cash book balance at beginning of year | 970 583 | 1 014 911 |
| Cash book balance at end of year | 3 768 393 | 970 583 |
| Bank statement balance at beginning of year | 970 583 | 1 014 911 |
| Bank statement balance at end of year | 3 768 393 | 970 583 |

Cash on Hand

| | | |
|--|-------------------|-------------------|
| Total cash and cash equivalents | 21 251 616 | 21 341 177 |
| Total bank overdraft | - | - |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| 2 TRADE AND OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS | Gross Balances | Provision for Doubtful | Net Balance |
|---|-----------------------|-------------------------------|--------------------|
| | R | Debts | R |
| | | R | |
| <u>Trade receivables</u> | | | |
| as at 30 June 2015 | | | |
| Service debtors | | | |
| | | | |
| Rates | 1 524 980 | (278 519) | 1 246 461 |
| Refuse | - | - | - |
| | <u>1 524 980</u> | <u>(278 519)</u> | <u>1 246 461</u> |
| | | | |
| <u>Trade receivables</u> | R | R | R |
| as at 30 June 2014 | | | |
| Service debtors | | | |
| | | | |
| Rates | 1 153 796 | (209 238) | 944 559 |
| Balance as at 30 June 2014 | <u>1 153 796</u> | <u>(209 238)</u> | <u>944 559</u> |

| Rates: Ageing | 2015 | 2014 |
|--|-------------------------|-------------------------|
| Current (0 – 30 days) | 85 476 | 77 590 |
| 31 - 60 Days | 76 008 | 69 159 |
| 61 - 90 Days | 72 726 | 61 784 |
| 91 - 120 Days | 1 290 770 | 945 264 |
| | <u>1 524 980</u> | <u>1 153 796</u> |
| | | |
| Total Trade and other receivables | <u>1 524 980</u> | <u>1 153 796</u> |

| 3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | June 2015 | June 2014 |
|---|-------------------------|-------------------------|
| Accrued interest | - | 21 344 |
| Staff Debtors | 162 593 | 162 593 |
| MIG Grants | 1 078 330 | 906 772 |
| Finance Management Grant | 7 728 | 34 570 |
| MSIG Grants | 13 349 | - |
| Sports Grant | - | - |
| NEP Grants | - | 29 298 |
| Library Grant | - | 78 724 |
| Total Other Debtors | <u>1 262 000</u> | <u>1 233 300</u> |

The fair value of Trade and Other Receivables approximates their carrying value.

NTAMBANANA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2015

4 PROPERTY PLANT AND EQUIPMENT

4.1 Details - Restated

| Carrying Value as at 01 July 2014 | | | | | | |
|--|--|--------------------|----------|------------------------|------------------|-----|
| Cost/Revaluation | | Land and Buildings | Vehicles | Furniture & Equipments | Community Assets | WIP |
| | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | |
| Acquisitions | | | | | | |
| Capital under Construction | | | | | | |
| Depreciation | | | | | | |
| Disposals | | | | | | |
| Assets Impairments/ Write-off | | | | | | |
| Cost/Revaluation | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | |
| as at 30 June 2015 | | | | | | |
| Cost/Revaluation | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | |
| as at 01 July 2013 | | | | | | |
| Cost/Revaluation | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | |
| Acquisitions | | | | | | |
| Capital under Construction | | | | | | |
| Depreciation | | | | | | |
| Disposals | | | | | | |
| Assets Impairments/ Write-off | | | | | | |
| Cost/Revaluation | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | |
| as at 30 June 2014 | | | | | | |
| Cost/Revaluation | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | |

| Land and Buildings | Vehicles | Furniture & Equipments | Community Assets | WIP | Total |
|--------------------|-------------|------------------------|------------------|--------------|--------------|
| 2 255 096 | 2 903 508 | 1 765 887 | 52 517 555 | 10 009 454 | 59 442 047 |
| 3 434 832 | 3 930 362 | 4 973 547 | 56 364 141 | 10 009 454 | 68 702 882 |
| (1 179 736) | (1 026 854) | (3 207 660) | (3 846 585) | - | (9 260 835) |
| 122 699 | - | 614 540 | 18 215 201 | (18 215 201) | 737 239 |
| (193 371) | (469 046) | (586 505) | (2 222 186) | 13 003 505 | 13 003 505 |
| - | - | - | - | - | (3 471 109) |
| - | - | (2 365) | - | - | (2 365) |
| - | - | (9 163) | - | - | (9 163) |
| - | - | 6 798 | - | - | 6 798 |
| 2 184 424 | 2 434 462 | 1 791 557 | 68 510 571 | 4 797 758 | 69 709 318 |
| 3 557 531 | 3 930 362 | 5 578 924 | 74 579 342 | 4 797 758.28 | 82 434 463 |
| (1 373 107) | (1 495 900) | (3 787 366) | (6 068 771) | - | (12 725 145) |
| 2 184 474 | 3 372 555 | 2 033 502 | 31 548 148 | 10 087 064 | 49 225 742 |
| 3 240 532 | 3 930 362 | 4 741 809 | 33 881 758 | 10 087 064 | 55 881 525 |
| (1 056 059) | (557 807) | (2 708 307) | (2 333 610) | - | (6 655 783) |
| 194 300 | - | 284 955 | 12 472 929 | (12 472 929) | 479 255 |
| (123 677) | (469 046) | (542 372) | (1 512 975) | 12 395 319 | 12 395 319 |
| - | - | - | - | - | (2 648 071) |
| - | - | (10 197) | - | - | (10 197) |
| - | - | (53 217) | - | - | (53 217) |
| - | - | 43 020 | - | - | 43 020 |
| 2 255 096 | 2 903 508 | 1 765 887 | 42 508 101 | 10 009 454 | 59 442 047 |
| 3 434 832 | 3 930 362 | 4 973 547 | 46 354 686 | 10 009 454 | 68 702 882 |
| (1 179 736) | (1 026 854) | (3 207 660) | (3 846 585) | - | (9 260 835) |

NTAMBANANA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the ended 30 June 2015

5 INTANGIBLE ASSETS

| | Computer Software R | Other* R | Total R |
|---|---------------------------|-------------|----------------|
| Details - Restated | | | |
| as at 01 July 2014 | 60 532 | - | 60 532 |
| Cost at the beginning | 145 979 | - | 145 979 |
| Accumulated amortisation and impairment losses | (85 447) | - | (85 447) |
| Acquisitions | 100 140 | - | 100 140 |
| Amortisation | (65 478) | - | (65 478) |
| Carrying value of disposals | | - | - |
| Cost | | - | - |
| Accumulated amortisation | | - | - |
| Impairment loss/Reversal of impairment loss | - | - | - |
| Transfers | - | - | - |
| Other movements | - | - | - |
| as at 30 June 2015 | 95 194 | - | 95 194 |
| Cost at the end | 246 118 | - | 246 118 |
| Accumulated amortisation and impairment losses | (150 925) | - | (150 925) |
| 30 June 2014 | | | |
| as at 01 July 2013 | 105 910 | - | 105 910 |
| Cost at the beginning | 145 979 | - | 145 979 |
| Accumulated amortisation and impairment losses | (40 069) | - | (40 069) |
| Acquisitions | - | - | - |
| Amortisation | (45 378) | - | (45 378) |
| Carrying value of disposals | - | - | - |
| Cost | - | - | - |
| Accumulated amortisation | - | - | - |
| Impairment loss/Reversal of impairment loss | - | - | - |
| Transfers | - | - | - |
| Other movements | - | - | - |
| as at 30 June 2014 | 60 532 | - | 60 532 |
| Cost at the end | 145 979 | - | 145 979 |
| Accumulated amortisation and impairment losses | (85 447) | - | (85 447) |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements
for the period ended 30 June 2015

| | June 2015 | June 2014 |
|--|------------------|------------------|
| | | R |
| 6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| Trade creditors | 177 997 | 556 356 |
| Performance Bonus Accruals | - | - |
| Consumer Deposits - Hall Hire | 3 500 | 2 500 |
| Retention Monies | 923 593 | 855 164 |
| Payments received in advance | 159 448 | 172 054 |
| Total creditors | 1 264 539 | 1 586 074 |

The fair value of Trade and Other Payables approximates their carrying value.

7 VAT RECEIVABLES

| | | |
|-----------------------------|----------------|------------------|
| Vat Receivable | 968 562 | 1 372 206 |
| Total vat receivable | 968 562 | 1 372 206 |

The municipality is registered with SARS. VAT is payable on payment basis.

8 PROVISIONS

| | | |
|---------------------------|----------------|------------------|
| Performance bonus | 180 355 | 169 347 |
| Provision for leave | 464 119 | 396 573 |
| Employees Bonus Provision | 255 156 | 221 802 |
| Total Provisions | 899 630 | 787 722.1 |

9 Finance Lease Liability

The municipality entered into a lease agreement with Capital Office Automation - Xerox for the period of three years.

The agreement ends on 31 October 2016

9.1 Product Type - Copier D125 - Serial No. 3909635542

| | | |
|--|----------|----------|
| Opening Balance | 140 659 | - |
| Additions | - | 160 000 |
| Redemptions | (35 949) | (19 341) |
| Balance at the end | 104 710 | 140 659 |
| Less: Current Portion of Lease Liability (Within one year) | (46 412) | (35 949) |
| Non Current Portion of Lease Liability (More than one year to five years) | 58 299 | 104 710 |

9.2 Product Type - Copier 7855 - Serial No. 3913723227

| | | |
|--|---------------|----------------|
| Opening Balance | 61 547 | - |
| Additions | - | 70 000 |
| Redemptions | (15 722) | (8 453) |
| Balance at the end | 45 825 | 61 547 |
| Less: Current Portion of Lease Liability (Within one year) | (20 313) | (15 722) |
| Non Current Portion of Lease Liability (More than one year to five years) | 25 513 | 45 825 |
| | 83 811 | 150 535 |

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Unspent Conditional Grants from other spheres of Government

| | | |
|--|------------------|-------------------|
| NEP Grants | - | - |
| MSIG Grants | - | 1 427 |
| Housing grants | - | - |
| Corridor Grants | 230 947 | 1 181 385 |
| Waste Management Grant | 7 142 217 | 11 365 993 |
| Sports Grant | 2 248 935 | 525 000 |
| Community library services grant | - | 64 730 |
| Expended Public Works Programmes | 15 464 | 4 924 |
| Lottary Grant | 266 504 | 1 369 298 |
| Finance Management Grant | - | - |
| Municipal Infrastructure Grant | - | - |
| Total Unspent Conditional Grants and Receipts | 9 904 068 | 14 512 757 |
| Non-current unspent conditional grants and receipts | - | - |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| | June 2015 | June 2014 R |
|--|--------------------|--------------------|
| 11 PROPERTY RATES | | |
| 11.1 Actual | | |
| Billing | 2 694 997.38 | 2 685 516 |
| Less: income forgone | | |
| Rebates | | - |
| Remission | (1 372 389.10) | (1 397 514) |
| Total property rates | 1 322 608 | 1 288 002 |
| Property rates - penalties imposed and collection charges | - | - |
| Total | 1 322 608 | 1 288 002 |
| 11.2 Valuations | | |
| Commercial | 2 075 600 | 6 613 600 |
| Residential | 22 300 000 | 26 901 000 |
| Agriculture | 144 398 000 | 144 461 000 |
| Government/State | 146 473 000 | 114 316 000 |
| Municipal (Ingonyama Trust land) | 75 866 000 | 97 327 000 |
| Total Property Valuations | 391 112 600 | 389 618 600 |
| Valuation on Properties are conducted on the Quarterly Basis. | | |
| 12 RENTAL OF FACILITIES AND EQUIPMENT | | |
| Exchange Transactions | | |
| Rent- Internal | 27 336 | 25 429 |
| Heatonberry farm rental | - | - |
| Total rentals | 27 336 | 25 429 |
| 13 INTEREST EARNED - CASH AND CASH EQUIVALENTS | | |
| Bank | 1 323 666 | 1 167 533 |
| Total interest | 1 323 666 | 1 167 533 |
| 14 INTEREST EARNED - OUTSTANDING RECEIVABLES | | |
| Rates -debtors | 95 549 | 68 131 |
| Total interest | 95 549 | 68 131 |
| 15 GOVERNMENT GRANTS AND SUBSIDIES (conditions met) | | |
| Community library service | 144 050 | 114 902 |
| Corridor Development | 950 438 | 2 694 396 |
| Equitable share | 30 881 000 | 21 185 000 |
| Expanded Public Works Programme Grant | 1 760 460 | 1 001 939 |
| Finance Management Grant | 1 773 158 | 1 652 037 |
| Housing Grant | - | 87 928 |
| Infrastructure Sports facility | 151 064 | - |
| Library | 502 957 | 579 471 |
| MIG Grant | 12 839 558 | 13 564 532 |
| MPCC's | - | - |
| MSIG Grant | 948 776 | 843 967 |
| National Lottery Grant | 1 102 793 | 164 854 |
| NEP Grant | - | 14 393 248 |
| Refuse removal Grant | 7 078 355 | 3 340 452 |
| Support for Thusong services | - | - |
| Total Government Grant and Subsidies | 58 132 611 | 59 622 727 |
| 15.1 Equitable Share | | |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly FBE, which is funded from the Equitable share grant. | 30 881 000 | 21 185 000 |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| | June 2015 | June 2014 R |
|---|--------------------|------------------|
| 15.2 MIG Grant | | |
| Balance unspent at beginning of year | (906 771.99) | (754 239.79) |
| Current year receipts | 12 668 000 | 13 412 000 |
| Conditions met - transferred to revenue | (12 839 558) | (13 564 532.20) |
| Conditions still to be met - remain liabilities | <u>(1 078 330)</u> | <u>(906 772)</u> |
| 15.3 MSIG Grant | | |
| Balance unspent at beginning of year | 1 427 | (44 606) |
| Current year receipts | 934 000 | 890 000 |
| Conditions met - transferred to revenue | (948 776) | (843 967) |
| Conditions still to be met - remain liabilities | <u>(13 349)</u> | <u>1 427</u> |
| 15.4 NEP Grant | | |
| Balance unspent at beginning of year | (29 298) | 3 363 950 |
| Current year receipts | - | 11 000 000 |
| Conditions met - transferred to revenue | 29 298 | (14 393 248) |
| Conditions still to be met - remain liabilities | <u>-</u> | <u>(29 298)</u> |
| 15.5 Housing Grant | | |
| Balance unspent at beginning of year | (0) | 87 928 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | (87 928) |
| Conditions still to be met - remain liabilities | <u>(0)</u> | <u>(0)</u> |
| 15.6 National lottery Grant | | |
| Balance unspent at beginning of year | 1 369 298 | - |
| Current year receipts | - | 1 534 152 |
| Conditions met - transferred to revenue | (1 102 793) | (164 854) |
| Conditions still to be met - remain liabilities | <u>266 504</u> | <u>1 369 298</u> |
| 15.7 Sport facility Grant | | |
| Balance unspent at beginning of year | 525 000 | (0) |
| Current year receipts | 1 875 000 | 525 000 |
| Conditions met - transferred to revenue | (151 064) | - |
| Conditions still to be met - remain liabilities | <u>2 248 935</u> | <u>525 000</u> |
| 15.8 Corridor Development Grant | | |
| Balance unspent at beginning of year | 1 181 385 | 1 875 781 |
| Current year receipts | - | 2 000 000 |
| Conditions met - transferred to revenue | (950 438) | (2 694 396) |
| Conditions still to be met - remain liabilities | <u>230 947</u> | <u>1 181 385</u> |
| 15.09 EPWP | | |
| Balance unspent at beginning of year | 4 924 | 6 863 |
| Current year receipts | 1 771 000 | 1 000 000 |
| Conditions met - transferred to revenue | (1 760 460) | (1 001 939) |
| Conditions still to be met - remain liabilities | <u>15 464</u> | <u>4 924</u> |
| 15.10 Finance Management Grant | | |
| Balance unspent at beginning of year | (34 570) | (32 533) |
| Current year receipts | 1 800 000 | 1 650 000 |
| Conditions met - transferred to revenue | (1 773 158) | (1 652 037) |
| Conditions still to be met - remain liabilities | <u>(7 728)</u> | <u>(34 570)</u> |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| | June 2015 | June 2014 R |
|---|-------------------|-------------------|
| 15.11 Waste management Grant | | |
| Balance unspent at beginning of year | 11 365 993 | 7 855 445 |
| Current year receipts | 2 854 579 | 6 851 000 |
| Conditions met - transferred to revenue | (7 078 955) | (3 340 452) |
| Conditions still to be met - remain liabilities | <u>7 142 217</u> | <u>11 365 993</u> |
| 15.12 Support for Thusong services | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities | <u>-</u> | <u>-</u> |
| 15.13 Provincial security Grant (MPCC's) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - remain liabilities | <u>-</u> | <u>-</u> |
| 15.14 Library Grant | | |
| Balance unspent at beginning of year | (78 724) | (13 252) |
| Current year receipts | 595 000 | 514 000 |
| Conditions met - transferred to revenue | (456 276) | (579 471) |
| Conditions still to be met - remain liabilities | <u>-</u> | <u>(78 724)</u> |
| 15.15 Community Library service Grant | | |
| Balance unspent at beginning of year | 64 731 | 59 633 |
| Current year receipts | 126 000 | 120 000 |
| Conditions met - transferred to revenue | (190 730) | (114 902) |
| Conditions still to be met - remain liabilities | <u>0</u> | <u>64 731</u> |
| 16 OTHER INCOMES | | |
| Tender Monies | 53 333 | 61 878 |
| Hall hire | 12 281 | 11 779 |
| Sundry income | 36 024 | 35 965 |
| LG SETA Refund | 27 373 | 30 638 |
| Penalties - Construction Contracts | 150 441 | - |
| Provisions utilised | - | - |
| Donations Received | - | - |
| Profit on sale of assets | - | - |
| Total Other Income | <u>279 452</u> | <u>140 260</u> |
| 17 EMPLOYEE RELATED COSTS | | |
| Bonus | 664 330 | 607 963 |
| Employee related costs - Salaries and Wages | 8 928 627 | 7 716 813 |
| Employee related costs - Contributions for UIF, pensions and medical aids | 1 704 770 | 1 608 992 |
| Travel, motor car, accommodation, subsistence and other allowances | 1 131 319 | 1 006 987 |
| Housing benefits and allowances | 34 452 | 38 106 |
| Overtime payments | 211 052 | 272 277 |
| Other employee related costs | 163 606 | 134 131 |
| Employee Related Costs | <u>12 838 156</u> | <u>11 385 269</u> |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| | June 2015 | June 2014 R |
|---|---------------------------|---------------------------|
| Remuneration of the Municipal Manager | | |
| Annual Remuneration | - | - |
| Performance- bonuses | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | - | - |
| Back pay | - | - |
| Contribution to UIF | - | - |
| | - | - |
| Mr Mnguni resigned as the municipal manager with effect from 31 December 2012 | | |
| The following officials acted as Municipal Managers: | | |
| Miss TRN Myeza (Chief Financial Officer) - 2013 January 02 to 2013 June 30 | | |
| Mrs NV Nsele (Director Corporate and Community Services) 2013 August 15 to 2014 February 14 | | |
| Mr FS Mazibuko (Manager: Human Settlements) - 2014 February 16 to todote. | | |
| Remuneration of the Chief Finance Officer | | |
| Annual Remuneration | 659 113 | 604 812 |
| Acting Allowance | - | - |
| Performance- bonuses | 90 177 | 84 674 |
| Travel, motor car, accommodation, subsistence and other allowances | 197 650 | 190 165 |
| Long Service awards | - | - |
| Contribution to UIF | - | - |
| | 946 940 | 879 651 |
| Remuneration of the Director Corporate and Community services | | |
| Annual Remuneration | 659 113 | - |
| Performance- bonuses | 90 177 | - |
| Travel, motor car, accommodation, subsistence and other allowances | 194 791 | - |
| Acting Allowance | - | - |
| Back pay | - | - |
| Contributions to UIF | - | - |
| | 944 082 | - |
| Remuneration of Individual Executive Directors | | |
| 2015 | Executive services | Corporate Services |
| Annual Remuneration | - | 659 113 |
| Acting Allowance | - | - |
| Performance- and other bonuses | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | - | 194 791 |
| Contributions to UIF, Medical and Pension Funds | - | - |
| Long Service Award | - | - |
| Acting Allowance | - | - |
| Total | - | 853 904 |
| 2014 | | |
| Annual Remuneration | - | 604 812 |
| Acting Allowance | - | - |
| Performance- and other bonuses | - | 84 674 |
| Travel, motor car, accommodation, subsistence and other allowances | - | 190 165 |
| Contributions to UIF, Medical and Pension Funds | - | - |
| Long Service Award | - | - |
| Acting Allowance | - | 28 995 |
| Total | - | 908 646 |
| 18 REMUNERATION OF COUNCILLORS | | |
| Mayor | 258 971 | 255 262 |
| Cell allowance | 328 787 | 333 888 |
| Mobile Data Card Allowance | 56 720 | 57 600 |
| Contributions to Pension | - | - |
| Councillors | 2 529 352 | 2 310 518 |
| Travel allowance | 852 379.04 | 855 127 |
| Traditional Leaders Allowance | - | - |
| Total Councillors' Remuneration | 4 026 209 | 3 812 395 |

In-kind Benefits

The Mayor is provided with an office and secretarial support at the cost of the Council.
The Mayor has a full time driver provided by the council.

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| | June 2015 | June 2014 R |
|--|-------------------|-------------------|
| 19 DEPRECIATION AND AMORTISATION EXPENSE | | |
| Buildings | 193 371.41 | 123 677 |
| Furniture and Fittings | 395 287.69 | 348 969 |
| Equipment | 191 217.34 | 193 403 |
| Community Facilities | 1 632 722.88 | 1 137 887 |
| Sport facilities | 589 462.97 | 375 088 |
| Motor vehicles | 469 046.29 | 469 046 |
| Intangible Assets | 65 477.70 | 45 378 |
| Total Depreciation and Amortisation | 3 536 586 | 2 693 449 |
| 20 REPAIRS AND MAINTANANCE | | |
| Repairs and Maintenance Buildings | 714 213 | 197 435 |
| Repairs and Maintenance Computer Equipment | 1 188 | 2 437 |
| Repairs and Maintenance Furniture and Equipment | 10 748 | 9 552 |
| Repairs and Maintenance Motor Vehicles | 399 309 | 197 544 |
| Total Repairs and Maintenance | 1 125 458 | 406 969 |
| 21 GENERAL EXPENSES | | |
| Included in general expenses are the following:- | | |
| Advertising | 71 447 | 96 971 |
| Archive | 33 742 | 12 632 |
| Bank charges | 34 763 | 31 191 |
| Cemeteries Public Awareness | - | - |
| Community Engagement | 942 987 | 1 105 284 |
| Conferences and delegations | 66 350 | 3 650 |
| Electricity and water | 221 240 | 220 306 |
| External Audit fees | 1 017 189 | 675 593 |
| Free basic energy | 734 297 | 778 536 |
| Fuel and oil | 694 741 | 668 612 |
| General expense EPWP | - | - |
| Financial Management and Support Systems | 316 143 | 253 162 |
| Insurance | 347 595 | 365 641 |
| Internal audit fees | 464 365 | 452 605 |
| LED Programmes | 80 739 | 177 637 |
| Legal expenses | 176 227 | 211 361 |
| Levies and membership fees | 1 013 030 | 450 439 |
| Licence fees | 2 500 | 15 394 |
| Municipal Systems | 342 465 | 455 341 |
| Pauper Burial | 355 954 | 322 328 |
| Postage | 3 529 | 8 890 |
| Printing and stationery | 322 328 | 335 534 |
| Professional fees | 999 415 | 861 849 |
| Publicity | 300 577 | 271 666 |
| Purchase of books | 10 789 | 944 |
| Refreshments | 50 164 | 37 001 |
| Refuse removal | 3 490 337 | 1 380 497 |
| Rent plant, vehicles and machinery | 495 321 | 417 720 |
| Sports | 342 843 | 326 739 |
| Staff Bursaries and Awards | 159 218 | 123 488 |
| Stores & Material | 193 529 | 106 247 |
| Students support | 126 000 | 108 000 |
| Subsistence and travel allowance | 928 264 | 762 201 |
| Telephone cost | 485 898 | 474 257 |
| Training | 926 058 | 573 492 |
| Uniforms and protective clothing | 109 787 | 26 865 |
| Ward Committees | 396 960 | 401 192 |
| Youth Council | 83 582 | 239 541 |
| | 16 340 373 | 12 752 806 |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

| | June 2015 | June 2014 R |
|--|--------------------------|--------------------------|
| 22 CONTRACTED SERVICES | | |
| Cleaning Services | 191 990 | 186 118 |
| Fire Services | 1 826 494 | 1 515 083 |
| IT Support | 160 993 | 157 320 |
| Security | 843 625 | 1 033 006 |
| | <u>3 022 502</u> | <u>2 891 527</u> |
| 23 COMMUNITY PROJECTS | | |
| Moringa and Essential Oil Projects | 897 640 | 2 616 420 |
| National Electrification Programme | 1 655 332 | 15 349 632 |
| Drought Relief and Communal Dams | 2 470 379 | - |
| | <u>5 023 351</u> | <u>17 966 052</u> |
| 24 FINANCE CHARGES | | |
| Finance charges relate to Lease agreement with capital Office Automation | | |
| Product Type - Copier 7855 - Serial No. 3913723227 | 32 259 | 26 131 |
| Product Type - Copier D125 - Serial No. 3909635542 | 14 158 | 11 467 |
| | <u>46 418</u> | <u>37 598</u> |
| 25 CASH GENERATED BY OPERATIONS | | |
| Surplus/(deficit) for the year | 15 009 318 | 10 453 073 |
| Adjustment for:- | | |
| Depreciation and amortisation | 3 536 586 | 2 693 449 |
| (Gain) / loss on sale of assets | - | - |
| Contribution to provisions - current | 210 487 | 110 167 |
| Finance income | (1 419 215) | (1 235 663) |
| Prior Year Adjustment | - | (194 221) |
| Penalties: Construction Contracts | (150 441) | - |
| Other non-cash item | 2 365 | 10 197 |
| Finance Charges | 46 418 | 37 598 |
| Operating surplus before working capital changes: | 17 235 518 | 11 874 599 |
| (Increase)/decrease in inventories | - | - |
| (Increase)/decrease in consumer receivables | (371 183) | (61 177) |
| (Increase)/decrease in Provisions | 66 251.36 | 112 163 |
| (Increase)/decrease in other receivables | (28 701) | (388 668) |
| (Increase)/decrease in VAT receivable | 403 644 | (454 072) |
| Increase/(decrease) in Unspent Conditional Grants | (4 608 689) | 1 263 156 |
| Increase/(decrease) in trade payables | (321 536) | (160 552) |
| Cash generated by/(utilised in) operations | <u>12 375 304</u> | <u>12 185 449</u> |
| 26 CORRECTION OF ERROR | | |
| Employees' Bonus provision was not accounted for in municipal financial statements, provision contained in Conditions of Service Collective Agreement requires that the bonus (13th cheque) be paid on pro-rata when an employee leaves council during the | | |
| 26.1 course of the financial year. | | |
| The comparative amount has been restated as follows: | | |
| Increase in Provisions | - | (221 802) |
| Decrease in Accumulated Surplus | - | 27 581 |
| Net effect on Accumulated surplus opening balance | <u>-</u> | <u>(194 221)</u> |
| 26.2 The error as result of incorrect calculation of depreciation | | |
| Increase in Accumulated Depreciation | - | (116 556) |
| Decrease in Accumulated Surplus | - | 116 556 |
| Net effect on Accumulated surplus opening balance | <u>-</u> | <u>-</u> |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

June 2015

June 2014
R

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

27 EXTERNAL AUDIT FEES

| | | |
|--|--------------|---------------|
| Previous Years Audit Fees - Unpaid | 32 453 | 1 860 882 |
| Current year audit fee | 1 017 189 | 676 168 |
| Amount paid - current year | (1 012 165) | (670 144) |
| Amount paid - previous years | (32 453) | (1 834 454) |
| Balance unpaid (included in payables) | 5 024 | 32 453 |

28 VAT

VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

29 PAYE and UIF

| | | |
|--|-------------|-------------|
| Opening balance | - | - |
| Current year payroll deductions | 2 544 581 | 2 344 441 |
| Amount paid - current year | (2 544 581) | (2 344 441) |
| Amount paid - previous years | - | - |
| Balance unpaid (included in payables) | - | - |

30 Pension and Medical Aid Deductions

| | | |
|---|-------------|-------------|
| Opening balance | - | - |
| Current year payroll deductions and Council Contributions | 2 405 768 | 2 002 262 |
| Amount paid - current year | (2 405 768) | (2 002 262) |
| Amount paid - previous years | - | - |
| Balance unpaid (included in payables) | - | - |

31 Councillor's arrear consumer accounts

No amounts were owed by Councillors at the end of the financial year

32 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

| | | |
|--|-------------------|-------------------|
| - Approved and contracted for | 3 324 822 | 3 448 064 |
| Infrastructure | - | - |
| Community | 3 324 822 | 3 448 064 |
| Heritage | - | - |
| Other | - | - |
| - Approved but not yet contracted for | 12 042 017 | 14 652 560 |
| Infrastructure | - | - |
| Community | 12 042 017 | 14 652 560 |
| Heritage | - | - |
| Other | - | - |
| Total | 15 366 838 | 18 100 624 |

This expenditure will be financed from:

| | | |
|---------------------------|-------------------|-------------------|
| - External Loans | | |
| - Government Grants | 15 073 000 | 18 100 624 |
| - Own resources | 293 838 | - |
| - District Council Grants | - | - |
| | 15 366 838 | 18 100 624 |

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

June 2015

June 2014

33 OPERATING LEASE

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

| | | |
|---------------------------------------|---|---------------|
| Within one year | | 34 637 |
| In the second to fifth year inclusive | - | - |
| After five years | - | - |
| Total | - | 34 637 |

Total future minimum sublease payment expected to be received under non-cancelable sublease

34 IRREGULAR EXPENDITURE

Irregular expenditure disclosed below result from contracts extensions that were above 20% of original contract value.

| | | |
|------------------------|------------------|----------|
| Opening Balance | - | - |
| Telephonic Services | 81 694 | - |
| Security Services | 843 625 | - |
| Financial System | 157 320 | - |
| Insurance | 341 905 | - |
| Website Hosting | 43 200 | - |
| Closing Balance | 1 467 744 | - |

35 LITIGATIONS

35.1 Case No. 8793/2013

The matter between the member of executive council for KwaZulu Natal for Co-Operative Governance and Traditional Affairs (APPLICANT) and Ntambanana Local Municipality (FIRST RESPONDANT) and James Nkoshathi Madondo (SECOND RESPONDENT)

The verdict

That the second respondant appointment was nul and void, in terms of Local Government: Municipal Systems Act no. 32 of 2000, Section 54 A (4) (b), that the second respondant was not a suitable candidate for the post as Municipal manager.

The Appeal

The case is currently under appeal.

36 IN-KIND ASSISTANCE

KZN Provincial Treasury supported the municipality by reviewing Annual Financial Statement for the financial year ended 30 June 2015, hours of the support were not quantified and the support has been ongoing.

37 Going Concern

The municipality will be de-established and merged with Umthonjaneni, Umhlathuze and Umfolozi on 30 June 2016

38 Vacant Post: Municipal Manager

Ntambanana Municipal Council on its meeting held on 2014 July 04 resolved as follows:

a) That the acting period for the Interim Acting Municipal Manager, Mr FS mazibuko (Manager Human Settlements), be extended till further notice while the municipal council is addressing the issue of the municipal manager.

b) That the Mayor be mandated to request the MEC for Cogta to waive any conditions that prevent the Acting Municipal manager to act for a period that exceed the further three months already granted.

c) That if (b) above by the MEC, a request be made to her to consider the name of Mr FS Mazibuko for secondment as per section 54(6)(a) of the Municipal systems act 2000.

NTAMBANANA MUNICIPALITY
Notes to the Annual Financial Statements (Continued)
for the period ended 30 June 2015

39 FINANCIAL RISK MANAGEMENT

Exposure to interest rate, credit and liquidity risk arises in the normal course of the municipal operations. This note presents information about the municipal exposure to the above mentioned risks processes for ensuring and managing risk. For quantitative disclosures please see note 1; 2; 3; 6; 9 and 10.

The accounting policy for financial instruments was applied to the following Financial Position line items

| | June 2015 | June 2014 |
|------------------------------|-------------------|-------------------|
| Financial Assets | | |
| Cash and Cash Equivalents | 21 251 616 | 21 341 177 |
| Trade and Other Receivables | 1 246 461 | 944 559 |
| Other Receivables | 1 262 000 | 1 233 300 |
| | <u>23 760 077</u> | <u>23 519 035</u> |
| Financial Liabilities | | |
| Trade and Other Payables | 1 264 539 | 1 586 074 |
| Borrowings - Short Term | 9 970 792 | 14 564 428 |
| Borrowings - Long Term | 83 811 | 150 535 |
| | <u>11 319 142</u> | <u>16 301 037</u> |

39.1 Liquidity Risk

Liquidity Risk is the risk that the municipality not being able to meet its obligation as they fall due. The municipal approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its obligations when due, without incurring unacceptable losses or risking damage to the municipal reputation. The municipal ensures that it has sufficient cash on hand to meet its obligations through the use of cash flow forecasts

The Liquidity risk was assessed to be immaterial by management for the Financial Year under review

39.2 Credit Risk

Credit Risk is the risk of financial loss to the municipality if customers and counterparties to the financial instruments fail to meet their obligations, and arises from receivables and cash and cash equivalents.

The maximum credit exposure as at 30 June 2015

| | | |
|-----------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | 21 251 616 | 21 341 177 |
| Trade and Other Receivables | 1 246 461 | 944 559 |
| Other Receivables | 1 262 000 | 1 233 300 |
| | <u>23 760 077</u> | <u>23 519 035</u> |

39.3 Interest Rate Risk

The municipality banks with only reputable banks in South Africa and municipality does not trade internationally.

NTAMBANANA MUNICIPALITY

APPENDIX A

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2015

| | Cost / Revaluation | | | Sum of opening including Backlog depreciation | | | Accumulated Depreciation | | | Carrying Value R |
|------------------------------|----------------------|----------------|-------------------------|---|----------------------|--|--------------------------|-------------------------|----------------------|---------------------|
| | Opening Balance R | Additions R | Assets Written Off R | Under Construction R | Closing Balance R | Sum of opening including Backlog depreciation R | Depreciation R | Assets Written Off R | Closing Balance R | |
| Community Assets | | | | | | | | | | |
| Community Halls | 40 338 873 | - | - | 7 746 543 | 48 085 416 | (2 298 427) | (1 632 723) | - | (9 931 149) | 44 154 266 |
| Sports Grounds | 16 025 268 | - | - | 5 256 962 | 21 282 230 | (1 548 159) | (589 463) | - | (2 137 622) | 19 144 608 |
| | 56 364 141 | - | - | 13 003 505 | 69 367 646 | (3 846 585) | (2 222 186) | - | (6 068 771) | 63 298 874 |
| Other assets | | | | | | | | | | |
| Land and Buildings | 9 434 832 | 122 699 | - | - | 3 557 531 | (1 179 736) | (193 371) | - | (1 373 107) | 2 184 424 |
| Furniture and fittings | 3 454 642 | 464 006 | (9 163) | - | 3 909 486 | (2 197 165) | (395 288) | 6 798 | (2 585 654) | 1 323 831 |
| Office equipment | 1 518 905 | 150 533 | - | - | 1 669 438 | (1 010 495) | (191 217) | - | (1 201 712) | 467 726 |
| Motor vehicles | 3 930 362 | - | - | - | 3 930 362 | (1 026 854) | (469 046) | - | (1 495 900) | 2 434 462 |
| | 12 338 741 | 737 239 | (9 163) | - | 13 066 817 | (5 414 249) | (1 248 923) | 6 798 | (6 656 374) | 6 410 443 |
| Total carried forward | 68 702 882 | 737 239 | (9 163) | 13 003 505 | 82 434 463 | (9 260 835) | (3 471 109) | 6 798 | (12 725 145) | 69 709 318 |

NTAMBANANA MUNICIPALITY

APPENDIX B

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2015

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | Carrying value | | |
|-----------------------------|--------------------|---------|-----------|------------|--------------------|--------------------------|-----------------|-------|--------------|----------------|-----------|-----------------|
| | Opening Balance | | Disposals | | Under Construction | Closing Balance | Opening Balance | | Additions | | Disposals | Closing Balance |
| | R | R | R | R | R | R | R | R | R | | R | R |
| Executive & Council | 68 702 882 | 737 239 | (9 163) | 13 003 505 | 82 434 463 | (9 260 835) | (3 471 109) | 6 798 | (12 725 145) | 69 709 318 | | |
| Finance & Admin | | | | | | | | | | | | |
| Planning & Development | | | | | | | | | | | | |
| Health | | | | | | | | | | | | |
| Community & Social Services | | | | | | | | | | | | |
| Public Safety | | | | | | | | | | | | |
| Sport & Recreation | | | | | | | | | | | | |
| Environmental Protection | | | | | | | | | | | | |
| Waste Management | | | | | | | | | | | | |
| Road Transport | | | | | | | | | | | | |
| Water | | | | | | | | | | | | |
| Electricity | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| Total | 68 702 882 | 737 239 | (9 163) | 13 003 505 | 82 434 463 | (9 260 835) | (3 471 109) | 6 798 | (12 725 145) | 69 709 318 | | |

NTAMBANANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2015

APPENDIX C
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the period ended 30 June 2015

| R 2015 | R 2015 | R 2015 | R 2015 | R 2014 | R 2014 | R 2014 |
|---------------|--------------------|---------------------|--------------------------------|--------------------|---------------------|---------------------|
| | | | | | | |
| Actual Income | Actual Expenditure | Surplus / (Deficit) | Actual Income | Actual Expenditure | Surplus / (Deficit) | Surplus / (Deficit) |
| R | R | R | R | R | R | R |
| 61 181 222 | 10 990 536 | (10 990 536) | - | 21 748 627 | (21 748 627) | |
| | 8 405 994 | 52 775 228 | 62 519 500 | 7 349 763 | 55 169 737 | |
| | 19 059 434 | (19 059 434) | - | 14 709 708 | (14 709 708) | |
| | 7 715 940 | (7 715 940) | - | - | - | |
| | 46 171 903.32 | 15 009 318 | - | 8 258 329 | (8 258 329) | |
| 61 181 222 | 46 171 903.32 | 15 009 318 | 62 519 500 | 52 066 426.88 | 10 453 072.83 | |
| | | | Less: Inter-Department Charges | | | |
| 61 181 222 | 46 171 903 | 15 009 318 | 62 519 500 | 52 066 426.88 | 10 453 073 | |
| Total | | | | | | |

NTAMBANANA LOCAL MUNICIPALITY

APPENDIX D

GRANT REGISTER FOR THE PERIOD ENDED 30 JUNE 2015

| DESCRIPTION | R | | R | | R | |
|--|-----------------|---------------|-----------------|-----------------|----------------|--|
| | OPENING BALANCE | RECEIPTS | PAYMENTS | CLOSING BALANCE | COMMITMENTS | |
| Refuse Removal | 11 365 993.22 | 2 854 579.00 | (7 078 355.30) | 7 142 216.92 | (7 142 216.92) | |
| Integrated Electrification Programme Grant | (29 297.60) | - | 29 297.60 | - | - | |
| Municipal Infrastructure Grant | (906 771.99) | 12 668 000.00 | (12 839 558.41) | (1 078 330.40) | 1 078 330.40 | |
| Municipal Systems Improvement Grant | 1 426.77 | 934 000.00 | (948 775.74) | (13 348.97) | 13 348.97 | |
| Financial Management Grant | (34 569.65) | 1 800 000.00 | (1 773 158.36) | (7 728.01) | 7 728.01 | |
| Provincialisation of Libraries Grant | (78 723.61) | 535 000.00 | (456 276.39) | - | - | |
| Infrastructure - Sport Facilities Grant | 524 999.74 | 1 875 000.00 | (151 064.42) | 2 248 935.32 | (2 248 935.32) | |
| Community Library Services Grant | 64 730.45 | 126 000.00 | (190 730.45) | 15 463.92 | (15 463.92) | |
| Expanded Public Works Programme Grant | 4 924.40 | 1 771 000.00 | (1 760 460.48) | 266 504.33 | (266 504.33) | |
| National Lottery Grant | 1 369 297.78 | - | (1 102 793.45) | - | - | |
| Support for Thusing Centres | - | - | - | - | - | |
| Security for MPCC's | - | - | - | - | - | |
| Housing Grant | - | - | - | - | - | |
| Corridor Development | 1 181 384.96 | - | (950 437.56) | 230 947.40 | (230 947.40) | |
| Total | 13 463 394.47 | 22 563 579.00 | (27 222 312.96) | 8 804 660.51 | (8 804 660.51) | |

NTAMBANANA LOCAL MUNICIPALITY

Appendix E
Schedule of External Loans as at 30 June 2015

| Description | Loan Number | Redemption Date | Balance at 01/07/2014 | Received during the Year | Redeemed during the Year | Written off during the Year | R | |
|---------------------------|-------------|-----------------|--------------------------|-----------------------------|-----------------------------|--------------------------------|---|---------|
| | | | | | | | R | R |
| Long-Term Loans | | | | | | | | |
| N/A | | | - | - | - | - | - | - |
| Annuitiy Loans | | | - | - | - | - | - | - |
| N/A | | | - | - | - | - | - | - |
| Government Loans | | | | | | | | |
| N/A | | | - | - | - | - | - | - |
| Lease Liability | | | | | | | | |
| Capital Office Automation | 3909635542 | 2016/11/01 | 140 659 | - | (35 949) | - | - | 104 710 |
| Capital Office Automation | 3913723227 | 2016/11/01 | 61 447 | - | (15 722) | - | - | 45 725 |
| | | | 202 106 | - | (51 670) | - | - | 150 435 |
| | | | | | | | | |
| | | | 202 106 | - | (51 670) | - | - | 150 435 |
| | | | | | | | | |

NTAMBANANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the period ended 30 June 2015

Financial Ratios

| | June 2015 | June 2014 |
|---|-------------------|-------------------|
| 1 Capital Expenditure to Total Expenditure | | |
| Capital Expenditure | 837 378 | 12 874 574 |
| Total Expenditure | 47 009 281 | 59 046 477 |
| | 1.78% | 21.80% |
| 2 Impairment of PPE, Investment Properties and Intangible Assets | | |
| Impairment Loss | 2 365 | 10 197 |
| Capital Assets | 69 804 511 | 59 502 579 |
| | 0.00% | 0.02% |
| 3 Repairs and Maintenance on PPE and Investments Properties | | |
| Repairs and Maintenance | 1 125 458 | 406 969 |
| Capital Assets | 69 804 511 | 59 502 579 |
| | 1.61% | 0.68% |
| 4 Collection Rate | | |
| Opening Balance: Debtors | 944 559 | 883 381 |
| Billing Revenue | 1 322 608 | 1 288 002 |
| | 2 267 167 | 2 171 383 |
| Less: Closing Balance | (1 246 461) | (944 559) |
| | 1 020 706 | 1 226 824 |
| Billing Revenue | 1 322 608 | 1 288 002 |
| | 77.17% | 95.25% |
| 5 Current ratio | | |
| (Current Assets - Inventory) | 24 728 639 | 24 891 241 |
| Current Liabilities | 12 134 960 | 16 938 224 |
| | 2 : 1 | 1.5 : 1 |
| 6 Acid Test ratio | | |
| Current Assets | 24 728 639 | 24 891 241 |
| Current Liabilities | 12 134 960 | 16 938 224 |
| | 2 : 1 | 1.5 : 1 |
| 7 Own funded Capital Expenditure | | |
| Own Capital Expenditure | 1 176 649 | 1 176 649 |
| Total Capital expenditure | 837 378 | 479 255 |
| | X 100 | X 100 |
| | 140.52% | 245.52% |
| 8 Remuneration as a % of Total Operating expenditure | | |
| Salaries and Wages | 12 838 156 | 11 385 269 |
| Councillors allowances | 4 026 209 | 3 812 395 |
| | 16 864 365 | 15 197 663 |
| Total Operating Expenditure | 46 171 903 | 52 066 427 |
| | X 100 | X 100 |
| | 36.53% | 29.19% |